

SECURITI

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: R. Seelaus & Company Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

25 DeForest Avenue, Suite 102

(No. and Street)

Summit

(City)

NJ

(State)

07901

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Karolina Swierska908 273 3011

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Crane, Tonelli, Rosenberg & Co., LLP

(Name - if individual, state last, first, middle name)

25 DeForest Avenue, Suite 101

(Address)

(City)

SummitNJ

(State)

07901

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED**MAR 18 2003****THOMSON
FINANCIAL****FOR OFFICIAL USE ONLY**

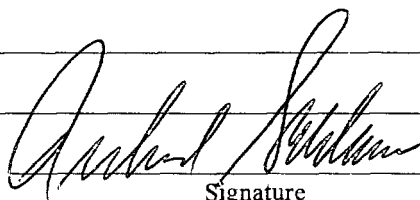
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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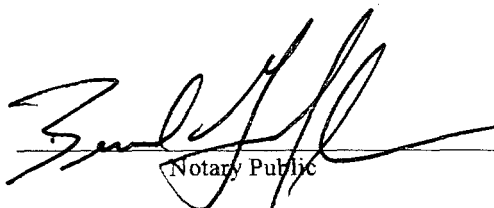
OATH OR AFFIRMATION

I, Richard Seelaus, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of R. Seelaus & Company Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

President

Title


Notary Public

BERNARD GARCIA
NOTARY PUBLIC OF NEW JERSEY
COMMISSION EXPIRES 8/12/2004

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CRANE, TONELLI, ROSENBERG & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

WILLIAM S. CRANE, C.P.A. NJ, PA, FL
JAMES R. TONELLI, C.P.A. NJ, NY, CA
MICHAEL E. ROSENBERG, C.P.A. NJ

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE REQUIRED BY SEC RULE 17a-5

February 19, 2003

To the Board of Directors
R. Seelaus & Co., Inc.

In planning and performing our audit of the financial statements and supplemental schedules of R. Seelaus & Co., Inc. for the year ended December 31, 2002 we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two



THE AICPA ALLIANCE FOR CPA FIRMS

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

R. Seelaus & Co., Inc.

Page two

of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the New York Stock Exchange and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

CRANE, TONELLI, ROSENBERG & CO. LLP

R. SEELAUS & CO., INC.
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED
DECEMBER 31, 2002 AND 2001

(With Independent Auditors' Report)

R. SEELAUS & CO., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
R. Seelaus & Co., Inc.
Summit, NJ 07901

We have audited the accompanying statements of financial condition of R. Seelaus & Co., Inc. as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' equity, cash flows, and changes in liabilities subordinated to claims of general creditors for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of R. Seelaus & Co., Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I through III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

February 19, 2003

CRANE, TONELLI, ROSENBERG & CO. LLP



THE AICPA ALLIANCE FOR CPA FIRMS

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

R. SEELAUS & CO., INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31,

ASSETS

	<u>2002</u>	<u>2001</u>
Cash	\$ 34,034	\$ 137,696
Securities owned – marketable	11,270,960	7,742,649
Secured demand notes	290,000	290,000
Furniture, equipment, and leasehold improvements – net	65,950	82,538
Other assets	<u>414,088</u>	<u>321,792</u>
	<u>\$12,075,032</u>	<u>\$8,574,675</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Payables to clearing organization	\$ 6,489,578	\$6,867,463
Securities sold, not yet purchased, at market value	2,414,281	52,577
Accrued expenses and other liabilities	1,418,960	415,768
Note payable	33,006	66,012
Income taxes payable	106,248	5,000
Deferred income tax	<u>5,393</u>	<u>4,393</u>
	<u>10,467,466</u>	<u>7,411,213</u>
Commitments and Contingent Liabilities	-	-
Subordinated borrowings	<u>290,000</u>	<u>290,000</u>
Stockholders' Equity:		
Common stock, no par value; 1,000,000 shares authorized, 12,434 shares issued and outstanding, stated at \$23 per share	287,215	282,225
Additional paid-in capital	68,000	68,000
Less: Treasury stock, 159 and 1,090 shares at cost, respectively	(11,973)	(80,768)
Retained earnings	<u>974,324</u>	<u>604,005</u>
Total Stockholders' Equity	<u>1,317,566</u>	<u>873,462</u>
	<u>\$12,075,032</u>	<u>\$8,574,675</u>

See accompanying notes to financial statements

R. SEELAUS & CO., INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,

	<u>2002</u>	<u>2001</u>
Revenues:		
Trading gains	\$7,934,500	\$4,036,595
Syndicate income (loss)	(588)	1,464
Commission income	291,425	298,760
Interest income	<u>417,570</u>	<u>332,076</u>
Total Revenue	<u>8,642,907</u>	<u>4,668,895</u>
Operating Expenses:		
Employee compensation and benefits	6,589,224	3,172,407
Non-broker clearance charges	225,666	164,826
Interest and dividends	165,874	286,404
Communications and data processing	120,616	127,238
Occupancy and equipment	368,593	345,375
Promotion	11,421	8,389
Regulatory assessments	33,004	27,966
Payroll taxes	231,966	154,370
Depreciation	46,099	21,561
Other operating expenses	<u>381,967</u>	<u>297,291</u>
Total Operating Expenses	<u>8,174,430</u>	<u>4,605,827</u>
Income from operations	468,477	63,068
Other income	34,046	12,947
Other expenses	<u>(4,018)</u>	<u>(1,963)</u>
Income before income taxes	498,505	74,052
Provision for income taxes	<u>125,000</u>	<u>6,777</u>
Net income	<u>\$ 373,505</u>	<u>\$ 67,275</u>

See accompanying notes to financial statements

R. SEELAUS & CO., INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Common Stock		Additional	Treasury Stock		Retained	Total
	Shares	Amount	Paid-In Capital	Shares	Amount	Earnings	Stockholders' Equity
Balance at January 1, 2001	12,217	\$282,225	\$68,000	1,393	(\$101,823)	\$537,984	\$786,386
Net Income						\$67,275	\$67,275
Purchase of common shares for treasury (129 shares at cost)				129	(\$11,004)		(\$11,004)
Issuance of Treasury Stock (432 shares at cost)				(432)	\$32,059	(\$1,254)	\$30,805
Balance at December 31, 2001	12,217	\$282,225	\$68,000	1,090	(\$80,768)	\$604,005	\$873,462
Net income						\$373,505	\$373,505
Issuance of common stock	217	\$4,990					\$4,990
Purchase of common shares for treasury (129 shares at cost)				129	(\$11,004)		(\$11,004)
Issuance of treasury stock				(1,060)	\$79,799	(\$3,186)	\$76,613
Balance at December 31, 2002	12,434	\$287,215	\$68,000	159	(\$11,973)	\$974,324	\$1,317,566

See accompanying notes to financial statements

R. SEELAUS & CO., INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2002</u>	<u>2001</u>
Cash Flows from Operating Activities:		
Net Income	\$ <u>373,505</u>	\$ <u>67,275</u>
Adjustments to reconcile net income to		
Net cash provided by operating activities:		
Depreciation	46,099	21,561
Deferred taxes	1,000	(100)
(Increase) decrease in operating assets:		
Securities owned	(3,528,311)	96,660
Other assets	(92,296)	20,145
Increase (decrease) in operating liabilities:		
Accrued expenses and other liabilities	1,003,192	131,797
Payables to clearing organization	(377,885)	(238,310)
Securities sold not yet purchased	2,361,704	(81,444)
Income tax payable	<u>101,248</u>	<u>5,000</u>
Total adjustments	<u>(485,249)</u>	<u>(44,691)</u>
Net cash provided by (used in) operating activities	<u>(111,744)</u>	<u>22,584</u>
Cash Flows From Investing Activities:		
Acquisitions of furniture, equipment, and		
leasehold improvements	<u>(29,511)</u>	<u>(21,922)</u>
Net cash (used in) investing activities	<u>(29,511)</u>	<u>(21,922)</u>
Cash Flows From Financing Activities:		
Payment on note payable	(33,006)	(33,011)
Issuance of treasury stock	76,613	30,805
Purchase of common stock for treasury	(11,004)	(11,004)
Issuance of common stock	<u>4,990</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>37,593</u>	<u>(13,210)</u>
Net (decrease) in cash	(103,662)	(12,548)
Cash at beginning of the year	<u>137,696</u>	<u>150,244</u>
Cash at end of the year	\$ <u><u>34,034</u></u>	\$ <u><u>137,696</u></u>
Supplemental cash flows disclosures:		
Cash paid during the year for:		
Income taxes	\$ <u><u>21,124</u></u>	\$ <u><u>1,877</u></u>
Interest	\$ <u><u>164,723</u></u>	\$ <u><u>306,420</u></u>

See accompanying notes to financial statements

R. SEELAUS & CO., INC.
STATEMENTS OF CHANGES IN SUBORDINATED BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Balance at January 1, 2001	\$ 290,000
Increases:	-
Decreases:	<u>-</u>
Balance at December 31, 2001	<u>290,000</u>
Increases:	-
Decreases:	<u>-</u>
Balance at December 31, 2002	\$ <u>290,000</u>

See accompanying notes to financial statements

R. SEELAUS & CO., INC.
Notes to Financial Statements
December 31, 2002 and 2001

Note 1: Summary of Significant Accounting Policies:

Description of Company

The Company organized in 1984, is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company's customers are located throughout the United States, with offices in Summit, New Jersey, Boca Raton, Florida and Boston, Massachusetts.

Securities Transactions

Marketable securities are valued at market values. All investments as of December 31, 2002 and 2001 are held at an outside location by a clearing organization.

Traded securities consist principally of municipal and government obligations and Unit Investment Trusts in order to provide income which is exempt from federal and/or state income taxes for the fixed-income investor. The Company operates on a settlement date basis in which the transactions are recorded on the third business day following the trade date.

Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are recorded at cost. Depreciation is computed on the straight-line method, over the useful lives of the related assets. Expenditures for maintenance and repairs are expensed as incurred.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. SEELAUS & CO., INC.
Notes to Financial Statements
December 31, 2002 and 2001

Note 1: Summary of Significant Accounting Policies: (Continued)

Income Taxes

Deferred taxes are computed based on the tax liability or benefit in future years of the reversal of temporary differences in the recognition of income or deduction of expenses between financial and tax reporting purposes. For the years ended December 31, 2002 and 2001, the principal items resulting in a difference is the difference in depreciation methods for financial accounting and methods allowable for income tax purposes.

Note 2: Securities Owned and Sold, Not Yet Purchased:

The Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at December 31, 2002, at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2002.

Marketable securities owned and sold not yet purchased, consist of trading and investment securities at market values at December 31, 2002 and 2001 as follows:

	<u>2002</u>	
	<u>Owned</u>	<u>Sold Not Yet Purchased</u>
Government obligations	\$ 3,905,919	\$2,107,271
State and municipal obligations	5,609,251	260,001
Corporate bonds	1,755,774	47,009
Unit investment trusts	16	-
	<u>\$11,270,960</u>	<u>\$2,414,281</u>
	<u>2001</u>	
	<u>Owned</u>	<u>Sold Not Yet Purchased</u>
Government obligations	\$ 2,505,372	\$ 3,000
State and municipal obligations	5,005,628	11,714
Corporate bonds	197,455	37,863
Unit investment trusts	34,194	-
	<u>\$ 7,742,649</u>	<u>\$ 52,577</u>

R. SEELAUS & CO., INC.
Notes to Financial Statements
December 31, 2002 and 2001

Note 3: Liabilities Subordinated to Claims of General Creditors:

The borrowings under subordination agreements at December 31, 2002 and 2001 are listed below:

	<u>2002</u>	<u>2001</u>
Liability pursuant to secured demand note collateral agreement, 9% interest paid monthly through April 15, 2005 based on \$200,000 balance. Interest expense was \$18,000 for the years ended December 31, 2002 and 2001.	\$190,000	\$190,000
Liability pursuant to secured demand note collateral agreement with an individual related to the majority stockholder, 9% interest paid monthly to April 30, 2000, and 8% through April 15, 2005. Interest expense was \$8,000 for the years ended December 31, 2002 and 2001.	100,000	100,000
	<u>\$290,000</u>	<u>\$290,000</u>

The subordinated borrowings are covered by agreements approved by the National Association of Securities Dealers, Inc. and are thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

Note 4: Furniture, Equipment, and Leasehold Improvements:

Furniture, equipment, and leasehold improvements at December 31, 2002 and 2001 is summarized as follows:

	<u>2002</u>	<u>2001</u>
Office machinery and equipment	\$ 256,228	\$ 227,265
Leasehold improvements	<u>33,694</u>	<u>33,147</u>
	289,922	260,412
Less: Accumulated depreciation	<u>(223,972)</u>	<u>(177,874)</u>
Net Furniture, Equipment, and Leasehold Improvements	<u>\$ 65,950</u>	<u>\$ 82,538</u>

R. SEELAUS & CO., INC.
Notes to Financial Statements
December 31, 2002 and 2001

Note 5: Payables to Clearing Organization:

The payable to clearing organizations are loans collateralized by marketable securities at rates related to the Federal Funds rate.

Note 6: Commitments:

The Company is obligated under non-cancelable operating leases for office facilities and equipment expiring at various dates through June, 2006. The future minimum rental payments for the next five years and in the aggregate under the above lease agreements are as follows:

Years Ending December 31,	
2003	\$204,742
2004	200,622
2005	153,223
2006	<u>4,349</u>
Total future minimum lease payments	<u>\$562,936</u>

Rent expense under all operating leases was approximately \$231,000 and \$221,000 for the years ended December 31, 2002 and 2001, respectively.

Note 7: Note Payable:

Note Payable at December 31, 2002 and 2001 consists of the following as a result of the Company's acquisition of 2,260 shares from a retiring shareholder in March 1999:

	<u>2002</u>	<u>2001</u>
Note payable, due in annual installments of \$33,006 (interest at 4.5%, maturing May 1, 2003)	<u>\$33,006</u>	<u>\$66,012</u>

R. SEELAUS & CO., INC.
Notes to Financial Statements
December 31, 2002 and 2001

Note 8: Income Taxes:

Net non-current deferred taxes as presented in the accompanying statement of financial condition at December 31, 2002 and 2001 consists of the following:

	<u>2002</u>	<u>2001</u>
Deferred tax asset:		
Capital loss carryforward	\$ -	\$ -
Net operating loss carryforward	<u>-</u>	<u>-</u>
Valuation allowance	<u>-</u>	<u>-</u>
Deferred tax liability-depreciation	<u>(5,393)</u>	<u>(4,393)</u>
Net deferred tax liability	<u><u>\$(5,393)</u></u>	<u><u>\$(4,393)</u></u>

The provision for income taxes consists of the following for the years ended December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Current:		
Federal	\$ 82,000	\$4,000
State	<u>42,000</u>	<u>2,877</u>
Total Current Taxes	<u>124,000</u>	<u>6,877</u>
Deferred:		
Federal	1,500	400
State	<u>(500)</u>	<u>(500)</u>
Total Deferred Taxes	<u>1,000</u>	<u>(100)</u>
Income Taxes	<u><u>\$125,000</u></u>	<u><u>\$6,777</u></u>

Variations in the customary relationship between income tax expense and pre-tax accounting income exist because of non-taxable income items and non-deductible expense items included in the statements of income. For the years ended December 31, 2002 and 2001 the principal variations resulted from non-taxable interest income on state and municipal obligations, and non-deductible interest expense.

R. SEELAUS & CO., INC.
Notes to Financial Statements
December 31, 2002 and 2001

Note 9: Principal Transactions

The Company's principal transaction revenues by reporting categories, including derivatives, at December 31, 2002 and 2001, are the following:

	<u>2002</u>	<u>2001</u>
Municipal Trading Gains	\$2.3	\$1.7
Government Trading Gains	4.8	2.0
Corporate Trading Gains	<u>.8</u>	<u>.3</u>
	<u>\$7.9</u>	<u>\$4.0</u>

Note 10: Fair Value of Financial Instruments

The financial instruments of the Company are reported in the statement of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments, except long-term notes payable, and subordinated borrowings. The estimated fair values and the carrying amounts of these financial instruments at December 31, 2002 and 2001 are the same.

The fair value estimates of the Company's long-term notes payable and subordinated borrowings are based on current rates offered to the Company for debt with substantially the same characteristics and maturities.

Note 11: Employee Benefit Plan:

The Company maintains a 401(k) plan, which covers substantially all of its full-time employees. The plan permits employees to invest from 1% to 15% of their salary in the employee's choice of mutual fund. The Company matches 50% of the employee's contributions up to a maximum of 3%. During the years ended December 31, 2002 and 2001, the Company contributed approximately \$52,542 and \$28,300, to the plan, respectively.

R. SEELAUS & CO., INC.
Notes to Financial Statements
December 31, 2002 and 2001

Note 12: Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2002, the Company had net capital of \$920,967, which is \$670,967 in excess of required net capital of \$250,000. The Company's net capital ratio at December 31, 2002 was 1.69 to 1. At December 31, 2001, the Company had net capital of \$426,414, which is \$176,414 in excess of required net capital of \$250,000. The Company's net capital ratio at December 31, 2001 was 1.12 to 1.

Note 13: Annual Report on Form X-17A-5:

The annual report to the Securities and Exchange Commission on Form X-17A-5 is available for examination and copying at the Company's office and at the regional office of the Securities and Exchange Commission.

Note 14: Concentrations:

The Company maintains its cash balances in a financial institution located in New Jersey. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2002, the company has no uninsured cash balances.

Note 15: Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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SCHEDULE I

R. SEELAUS & CO., INC. COMPUTATION OF NET CAPITAL AND REQUIRED NET CAPITAL PURSUANT TO RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AS OF DECEMBER 31,

	<u>2002</u>	<u>2001</u>
<u>Net Capital:</u>		
Stockholders' Equity from Statement of Financial Condition	\$1,317,566	\$ 873,462
Add: Subordinated borrowings (allowable in computation of net capital)	290,000	290,000
Other allowable credits-deferred income taxes payable	<u>5,393</u>	<u>4,393</u>
Total Capital and Allowable Subordinated Borrowings	<u>1,612,959</u>	<u>1,167,855</u>
Deductions and Charges:		
Non-Allowable Assets	<u>184,109</u>	<u>260,791</u>
Net Capital Before Haircuts on Security Positions (tentative net capital)	1,428,850	907,064
Haircuts on Securities	<u>507,883</u>	<u>480,650</u>
Net Capital	<u>\$ 920,967</u>	<u>\$ 426,414</u>
<u>Aggregate Indebtedness:</u>		
Payable to Brokers and Dealers	\$ 14,801	\$ 12,660
Accrued Expenses and Other Liabilities	<u>1,543,413</u>	<u>464,728</u>
Total Aggregate Indebtedness	<u>\$1,558,214</u>	<u>\$ 477,388</u>
<u>Computation of Basic Net Capital Requirement:</u>		
Minimum Net Capital Required (6 2/3% of Aggregate Indebtedness of \$1,558,214 and \$477,388 in 2002 and 2001, respectively)	<u>\$ 103,881</u>	<u>\$ 31,826</u>
Minimum Dollar Net Capital Requirement	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Net Capital Required	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Excess Net Capital at 1,500%	<u>\$ 670,967</u>	<u>\$ 176,414</u>
Excess Net Capital at 1,000%	<u>\$ 765,146</u>	<u>\$ 378,675</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>1.69</u>	<u>1.12</u>

Reconciliation With The Company's Computations:

A reconciliation is not necessary pursuant to rule 17a-5(d)(4) since there were no material differences between the computations of aggregate indebtedness and net capital as computed above and the computation by the Company included in Form X-17A-5 as of December 31, 2002, as amended, filed on February 19, 2003.

See accompanying notes to financial statements

SCHEDULE II

R. SEELAUS & CO., INC. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS PURSUANT TO RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION AS OF DECEMBER 31,

	<u>2002</u>	<u>2001</u>
Credit Balances	<u>NONE</u>	<u>NONE</u>
Debit Balances	<u>NONE</u>	<u>NONE</u>
Reserve Computation:		
Excess of Total Credits Over Total Debits	<u>NONE</u>	<u>NONE</u>
Required Deposit	<u>NONE</u>	<u>NONE</u>
Frequency of Computation:	<u>NOT</u> <u>APPLICABLE</u>	<u>NOT</u> <u>APPLICABLE</u>

Reconciliation With The Company's Computations:

A reconciliation is not necessary pursuant to rule 17a-5(d)(4) since there are no material differences between the computation for determination of reserve requirements as computed above and the computation by the Company included in the Form X-17A-5 as of December 31, 2002, as amended, filed on February 19, 2003.

See accompanying notes to financial statements

SCHEDULE III

R. SEELAUS & CO., INC.
INFORMATION RELATING TO THE POSSESSION OR
CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3
OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2002

State the Market Value and the Number of Items:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of December 31, 2002 (for which instructions to reduce to possession or control had been issued as of that date, but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3).

NONE

Number of Items

NONE

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

NONE

Number of Items

NONE

See accompanying notes to financial statements